UNI SECURITIES AND I Washin

REPORT FOR THE PERIOD BEGINNING 01/01/07



ANNUAL AUDITED REPORT FORM X-17A-5 PART III

Securities Exchange Act of 1934 and Rule 17a-5 Thereunder

OMB APPROVAL

OMB Number: 3235-0123

Expires: February 28, 2010 Estimated average burden hours per response.....12.00

AND ENDING 12/31/07

SEC FILE NUMBER
8- 20859

FACING PAGE Information Required of Brokers and Dealers Pursuant to Section 17 of the

•	MM/DD/YY		MM/DD/YY
, A.	REGISTRANT IDENTIFICATION		
NAME OF BROKER-DEALER: C. R. DAVIS & COMPANY ADDRESS OF PRINCIPAL PLACE OF 939 CLOCKTOWER DRIVE, S	BUSINESS: (Do not use P.O. Box No.)	` .	FIRM I.D. NO.
	(No. and Street)	,	
SPRINGFIELD,	ILLINOIS	6:	2704
(City)	(State)	(Zi	p Code)
NAME AND TELEPHONE NUMBER C _JEFFREY R. GIBBS	OF PERSON TO CONTACT IN REGARD TO	(ORT 217) 793 0733 Area Code – Telephone Numbe
В. А	ACCOUNTANT IDENTIFICATION		PROCESSED
INDEPENDENT PUBLIC ACCOUNTAGE ECK, SCHAFER & PUNKE, L	NT whose opinion is contained in this Report*	· \$	MAR 2 4 2008
	(Name - if individual, state last, first, middle name		THOMSON FINANCIAL
600 EAST ADAMS STREET (Address)	SPRINGFIELD, I (City)	LLINOIS (State)	62701 (Zip Code)
CHECK ONE: **Counter Countain			FEB 2 9 2008 Washington, DC

*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See Section 240.17a-5(e)(2)

OATH OR AFFIRMATION

I, JEFFREY R. GIBBS	, swear (or affirm) that, to the best of
my knowledge and belief the accompanying financial state	ement and supporting schedules pertaining to the firm of
C. R. DAVIS & COMPANY	, as
	0 ₀₇ , are true and correct. I further swear (or affirm) that
noither the company per any portner proprietor principal	officer or director has any proprietary interest in any account
• • • • • • • • • • • • • • • • • • • •	officer of director has any proprietary interest in any account
classified solely as that of a customer, except as follows:	
	- Shugh stells
•	- fair francis
	d d d d g ignature
	DDECIDENM
	PRESIDENT Title
	Title
I was I willer	×
Notary Public	SUSAN N. GIBBS
Notary Fuotic	SEAL MY COMMISSION EXPIRES
This report ** contains (check all applicable boxes):	MAY 29, 2010
(a) Facing Page.	·······
(b) Statement of Financial Condition.	
(c) Statement of Income (Loss).	
(d) Statement of Changes in Financial Condition.	
(e) Statement of Changes in Stockholders' Equity or P	Partners' or Sole Proprietors' Capital
(e) Statement of Changes in Stockholders' Equity or P (f) Statement of Changes in Liabilities Subordinated to	
(g) Computation of Net Capital.	b Claims of Civations.
(h) Computation for Determination of Reserve Require	amente Dureuent to Dule 15c3 2
☐ (i) Information Relating to the Possession or Control I	
_ ``	
0,	of the Computation of Net Capital Under Rule 15c3-1 and the
Computation for Determination of the Reserve Req	
	d Statements of Financial Condition with respect to methods of
consolidation.	
(I) An Oath or Affirmation. (m) A copy of the SIPC Supplemental Report.	
(n) A report describing any material inadequacies found	to exist or found to have existed since the date of the previous audit.

^{**}For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).

C. R. DAVIS & COMPANY

FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT

December 31, 2007 and 2006

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ECK, SCHAFER & PUNKE, LLP CERTIFIED PUBLIC ACCOUNTANTS

600 East Adams Street Springfield, Illinois 62701 217-525-1111 Fax 217-525-1120 www.esocoa.com

Independent Auditors' Report

Board of Directors C. R. Davis & Company

We have audited the accompanying statements of financial condition of C.R. Davis & Company as of December 31, 2007 and 2006, and the related statements of income, changes in stockholders' equity, and cash flows for the years then ended that you are filing pursuant to rule 17a-5 under the Securities Exchange Act of 1934. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of C.R. Davis & Company as of December 31, 2007 and 2006, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Eck, Schafer & Punker LLP

Springfield, Illinois January 25, 2008

STATEMENTS OF FINANCIAL CONDITION

December 31

ASSE		<u>007</u>	<u>2006</u>
Cash		0,535 \$	160,179
Cash segregated for exclusive benefit of customers Receivable from brokers and dealers	1:	100 2,492	100 10,865
Securities owned-marketable, at market value Prepaid income tax Other assets		3,586 - 2,632	55,692 2,201 1,364
Equipment, net of accumulated depreciation of \$ 7,216 and \$ 6,046 at 2007 and 2006, respectively		4 <u>,019</u>	5,189
	<u>\$24.</u>	<u>3,364</u> <u>\$</u>	235,590
LIABILITIES AND STOCKHOLDERS' EQUITY			
Accounts payable Accrued payroll taxes Income taxes payable Commissions payable	12 1 12	2,547 \$ 2,830 1,019 2,855	1,944 9,266 - 22,842 34,052
Deferred tax liability		1,232	4,042
STOCKHOLDERS' EQUITY Common stock - authorized 100 shares of \$ 100 par value; issued and outstanding 51 shares in			
2007 and 2006 Additional contributed capital Retained earnings	56	5,100 5,991 <u>7,790</u>	5,100 56,991 135,405
	209	<u></u>	197,496
	<u>\$243</u>	<u>\$,364</u> \$	235,590

STATEMENTS OF INCOME

Year ended December 31

	<u>2007</u>	<u>2006</u>
Revenues	A 350.020	Ф 257.252
Commissions	\$ 259,032	\$ 257,352
Investment income	10,907	8,436
Net dealer inventory and investment gain	4,192	7,708
Miscellaneous income	35,000	
	309,131	273,496
Expenses		
Advertising	1,554	1,921
Depreciation	1,170	1,220
Dues and assessments	1,950	2,440
Entertainment	1,039	813
Financial and news service	5,755	4,649
Insurance	45,200	38,612
Miscellaneous	5,366	3,301
Office supplies	2,731	2,238
Postage and printing	726	1,147
Professional fees	4,840	5,105
Rent	16,000	14,400
Salaries and commissions		
Stockholders	128,878	98,849
Others	48,502	64,854
Service fees	12,109	9,605
Taxes	11,432	11,587
Telephone	4,006	4,053
Utilities	2,750	2,342
	294,008	267,136
Income before income taxes	15,123	6,360
Income taxes	<u>2,738</u>	1,177
NET INCOME	<u>\$ 12,385</u>	<u>\$5,183</u>

C. R. Davis & Company
STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

Year ended December 31

	Common Stock	Additional Contributed <u>Capital</u>	Retained <u>Earnings</u>	<u>Total</u>
Balance at December 31, 2005	\$ 5,100	\$ 56,991	\$ 130,222	\$ 192,313
Net income for the year			5,183	5,183
Balance at December 31, 2006	5,100	56,991	135,405	197,496
Net income for the year			12,385	12,385
Balance at December 31, 2007	<u>\$ 5,100</u>	<u>\$_56,991</u>	<u>\$ 147,790</u>	<u>\$ 209,881</u>

STATEMENTS OF CASH FLOWS

Year ended December 31

		<u>2007</u>		<u>2006</u>
Cash flows from operating activities				
Net income	\$	12,385	\$	5,183
Adjustments to reconcile net income to net				
cash provided by operating activities				
Investment inventory gain		(4,192)		(7,708)
Depreciation		1,170		1,220
Deferred income taxes		190		2,091
Change in assets and liabilities				
Increase in receivable from brokers and dealers		(1,627)		(3,040)
Decrease (increase) in prepaid income taxes		2,201		(207)
(Increase) decrease in other assets		(1,268)		1,402
Increase (decrease) in accounts payable		603		(53,736)
Increase in accrued payroll taxes		3,564		1,291
Increase in income taxes payable		1,019		-
(Decrease) increase in commissions payable		(9,987)		13,314
Net cash provided by (used in) operating activities	3	4,058		(40,190)
Cash flows from investing activities				
Purchase of securities owned-marketable		(19,080)		(7,348)
Sale of securities owned-marketable		5,378		4,499
Capital expenditures, net of dispositions		-		(4,733)
Net cash used in investing activities		(13,702)		(7,582)
Net decrease in cash		(9,644)		(47,772)
Cash at beginning of year		160,279		208,051
Cash at end of year	\$	150,635	<u>\$</u>	160,279

NOTES TO FINANCIAL STATEMENTS

December 31, 2007 and 2006

NOTE A - SUMMARY OF ACCOUNTING POLICIES

A summary of the Company's significant accounting policies consistently applied in the preparation of the accompanying financial statements follows.

1. Nature of Operations

The Company's primary business activity is the purchase and sale of investment securities for individuals.

2. Security Transactions

Security transactions are recorded on the trade date.

3. Accounts Receivable

The Company considers accounts receivable to be fully collectible; accordingly, no allowance for doubtful accounts is required. If amounts become uncollectible, they will be charged to operations when that determination is made.

4. Securities Owned

The Company's securities are valued at market as of December 31, 2007 and 2006. Accordingly, the financial statements reflect an unrealized gain of \$ 4,098 and \$ 6,346 for the years ended December 31, 2007 and 2006, respectively, and an accumulated unrealized gain of \$ 18,722 and \$ 14,624 at December 31, 2007 and 2006, respectively.

5. Cash Equivalents

For purposes of the statement of cash flows, the Company considers all highly-liquid debt instruments purchased with a maturity of one year or less to be cash equivalents.

6. Depreciation

Equipment is stated at cost. Depreciation on the equipment is provided for in amounts sufficient to relate the cost of depreciable assets to operations over estimated service lives, using straight-line methods for financial reporting and accelerated methods for tax reporting purposes. Estimated useful lives of the assets range from five to seven years.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2007 and 2006

NOTE A - SUMMARY OF ACCOUNTING POLICIES - Continued

7. <u>Income Taxes</u>

The Company provides for deferred income taxes arising from the differences in financial and tax accounting.

NOTE B - INCOME TAXES

Details of the provision for current and deferred income taxes for the years ended December 31 follow:

	<u>2007</u>	<u>2006</u>	
Current provision Federal State	\$ 1,568 980	\$ (619) (295)	
	2,548	(914)	
Deferred provision	190	2,091	
	<u>\$ 2,738</u>	<u>\$ 1,177</u>	

Deferred tax liabilities at December 31, 2007 and 2006, consist of the following:

		<u> 2007</u>		<u>2006</u>
Deferred taxes	σ	262	¢r.	1 100
Depreciation, net of tax expensing of equipment	Ф	262	Þ	1,100
Unrealized gains on securities		3,970		3,102
Deferred charitable contribution deduction				<u>(160</u>)
			45	4040
	<u>\$</u>	<u>4,232</u>	\$	<u>4,042</u>

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2007 and 2006

NOTE C - NET CAPITAL REQUIREMENT

The Company is subject to the Securities and Exchange Commission Uniform Net Capital Rule (SEC Rule 15c3-1), which requires the maintenance of minimum net capital of not less than \$50,000 at December 31, 2007 and 2006. It also requires that the ratio of aggregate indebtedness to net capital, both as defined, shall not exceed 15 to 1. At December 31, 2007 and 2006, respectively, the Company had net capital of \$181,936 and \$169,647, which were \$131,936 and \$119,647 in excess of its required net capital of \$50,000 for 2007 and 2006. The Company's net capital ratio was .16 to 1 and .20 to 1 at December 31, 2007 and 2006, respectively.

NOTE D - RELATED PARTY TRANSACTIONS

Jeffrey R. Gibbs is the majority shareholder of the Company. The Company was a tenant in a building owned by Mr. Gibbs during 2007 and 2006.



ECK, SCHAFER & PUNKE, LLP

*CERTIFIED PUBLIC ACCOUNTANTS

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Independent Auditors' Report on Supplementary Information

Board of Directors C. R. Davis & Company

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole, which are presented in the preceding section of this report. The supplementary information presented on pages 13 through 16 is presented for purposes of additional analysis and is not a required part of the 2007 basic financial statements but is supplementary information required by Rule 17a-5 under the Securities Exchange Act of 1934. Such information has been subjected to the auditing procedures applied in the audit of the 2007 basic financial statements and, in our opinion, is stated fairly in all material respects in relation to the 2007 basic financial statements taken as a whole.

Eck, Schofer + Punke, LLP

Springfield, Illinois January 25, 2008

SCHEDULE I FOCUS REPORT - PART IIA

Computation of Net Capital Under Rule 15C3-1 of the Securities and Exchange Commission As of December 31, 2007

Firm ID: 001593

209,881 Total ownership equity (o/e) Deduct o/e not allowable for net capital 209,881 Total o/e qualified for net capital 4. Add: A. Allowable subordinated liabilities B. Other deductions or credits Total capital and allowable subloans Deductions and/or charges A. Total nonallowable assets 15,553 B. Secured demand note deficiency C. Capital charges for spot and commodity futures D. Other deductions and/or charges 15,553 7. Other additions and/or allowable credits 194,328 Net capital before haircuts 9. Haircuts on securities: A. Contractual commitments B. Subordinated debt C. Trading and investment securities: 1. Exempted securities 2. Debt securities 3. Options 4. Other securities 12,392 D. Undue concentration 12,392 E. Other 10. Net Capital <u> 181,936</u>

SCHEDULE I FOCUS REPORT - PART IIA - CONTINUED

Computation of Net Capital Under Rule 15C3-1 of the Securities and Exchange Commission As of December 31, 2007

		Firm	ID: 001593
11.	Minimum net capital required: (based on aggregate indebtedness)	\$	1,950
12.	Minimum dollar requirement		50,000
13.	Net capital requirement (greater of line 11 or 12)		50,000
14.	Excess net capital		131,936
15.	Excess net capital at 1000% (net capital - 10% of AI)		179,011
	Computation of Aggregate Indebtedness		
16.	Total Al liabilities from balance sheet	\$	29,251
17.	Add: A. Drafts for immediate credit B. Market value of securities borrowed where no equivalent value is paid or credited C. Other unrecorded amounts		•
19.	Total aggregate indebtedness	<u>\$</u>	29,251
20.	Ratio of AI/NC		.16 to 1

SCHEDULE II RECONCILIATION OF COMPUTATION OF NET CAPITAL

	Accompanying Statement of Financial Condition	FOCUS IIA Report Submitted January, 2008	<u>Differe</u>	nce
Stockholders' equity	\$ 209,881	\$ 209,881	\$	-
Nonallowable assets				
12b-1 Commissions receivable	8,902	8,902		-
Prepaid expense	2,632	2,632		-
Fixed assets	4,019	4,019		-
Haircuts on securities	12,392	12,392		
	27,945	27,945		
NET CAPITAL	<u>\$ 181,936</u>	<u>\$ 181,936</u>	<u>\$</u>	

SCHEDULE III CLAIM FOR EXEMPTION PURSUANT TO RULE 15c3-3

December 31, 2007

An exemption from Rule 15c3-3 is claimed by section (k)(2)(ii).

C. R. DAVIS & COMPANY

REPORT ON INTERNAL CONTROL REQUIRED BY SEC RULE 17a-5 FOR A BROKER-DEALER CLAIMING AN EXEMPTION FROM SEC RULE 15c3-3

December 31, 2007 and 2006

ECK, SCHAFER & PUNKE, LLP

*CERTIFIED PUBLIC ACCOUNTANTS

600 East Adams Street Springfield, Illinois 62701 217-525-1111 Fax 217-525-1120 www.espcpa.com

To the Board of Directors C. R. Davis & Company Springfield, Illinois

In planning and performing our audit of the financial statements and supplemental schedules of C. R. Davis & Company (the Company) for the years ended December 31, 2007 and 2006, in accordance with auditing standards generally accepted in the United States of America, we considered the Company's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we do not express an opinion on the effectiveness of the Company's internal control.

Also, as required by rule 17a-5(g)(1) of the Securities and Exchange Commission (SEC), we have made a study of the practices and procedures followed by the Company including tests of such practices and procedures that we considered relevant to the objectives stated in rule 17a-5(g) in making the periodic computations of aggregate indebtedness (or aggregate debits) and net capital under rule 17a-3(a)(11) and for determining compliance with the exemptive provisions of rule 15c3-3. Because the Company does not carry securities accounts for customers or perform custodial functions relating to customer securities, we did not review the practices and procedures followed by the Company in any of the following:

- 1. Making quarterly securities examinations, counts, verifications, and comparisons.
- 2. Recordation of differences required by rule 17a-13.
- 3. Complying with the requirements for prompt payment for securities under Section 8 of Federal Reserve Regulation T of the Board of Governors of the Federal Reserve System.

The management of the Company is responsible for establishing and maintaining internal control and the practices and procedures referred to in the preceding paragraph. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of controls and of the practices and procedures referred to in the preceding paragraph and to assess whether those practices and procedures can be expected to achieve the SEC's above-mentioned objectives. Two of the objectives of internal control and the practices and procedures are to provide management with reasonable but not absolute assurance that assets for which the Company has responsibility are safeguarded against loss from unauthorized use or disposition and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in conformity with generally accepted accounting principles. Rule 17a-5(g) lists additional objectives of the practices and procedures listed in the preceding paragraph.

Because of inherent limitations in internal control or the practices and procedures referred to above, error or fraud may occur and not be detected. Also, projection of any evaluation of them to future periods is subject to the risk that they may become inadequate because of changes in conditions or that the effectiveness of their design and operation may deteriorate.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the Company's ability to initiate, authorize, record, process, or report financial data reliably in accordance with accounting principles generally accepted in the United States of America such that there is more than a remote likelihood that a misstatement of the Company's financial statements that is more than inconsequential will not be prevented or detected by the Company's internal control.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Company's internal control. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above.

We believe the following matter is a significant deficiency. Our recommendations regarding these matters are discussed below.

Segregation of Duties

Proper segregation of duties and responsibilities does not exist since only two persons record all cash and security transactions and do the bookkeeping for the Company. This weakness is somewhat alleviated by the supervision and review of the president of the Company who is integrally involved with the daily operations. We recognize that it may not be practicable to segregate duties because of the size of the Company's operations, but our professional responsibilities require us to bring this to your attention.

We understand that practices and procedures that accomplish the objectives referred to in the second paragraph of this report are considered by the SEC to be adequate for its purpose in accordance with the Securities Exchange Act of 1934 and related regulations, and that practices and procedures that do not accomplish such objectives in all material respects indicate a material inadequacy for such purposes. Based on this understanding and on our study, we believe that the Company's practices and procedures were adequate at December 31, 2007 and 2006, to meet the SEC's objectives.

This report is intended solely for the information and use of the Board of Directors, management, the SEC, the National Association of Securities Dealers, and other regulatory agencies that rely on rule 17a-5(g) under the Securities Exchange Act of 1934 in their regulation of registered brokers and dealers, and is not intended to be and should not be used by anyone other than these specified parties.

Eck, Schofu + Punke, LLP

Springfield, Illinois January 25, 2008

